

New Construction Strategies and Partnerships

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Overview of Topics

How to structure New Construction Strategy


Responsibilities of Local Government and Developers

Local Strategies

Effective Partnership Agreements

Elements of Monitoring



A construction worker wearing a high-visibility yellow and grey safety vest is shaking hands with a person in a white shirt. They are standing over a table covered with architectural blueprints. On the table, there are various tools including a yellow tape measure, a black pen, a black calculator, and a pair of glasses. The background is a bright, out-of-focus window showing greenery.

How to Structure a New Construction Strategy

New Construction Strategy

Summary of Strategy

- Define new construction use of funds for developer and buyer
- Developer Contributions/Commitments
- Construction types/ construction cost

Property Size/ amenities

- Who pays for land, infrastructure, hard, soft cost
- Site Conditions, title, zoning issues
- What will it sell for? (as built appraisal)
- Location – Will it sell? When?



Options for SHIP Assistance

- Upfront New Construction Subsidy
- Land Acquisition Assistance
- Donated Land from Surplus Land Inventory (Sections 125.379 and 166.0451, Florida Statutes (an incentive strategy))
- Infrastructure
- All Hard and Soft cost
- Pay Developer Fee
- Pay Impact Fees
- Down Payment Assistance to the Buyer

Strategy Considerations

- Fiscal Years Covered
- Income categories to be served
 - Consider the market
 - Subsidy needed
 - Meeting set-asides



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Terms for Developer and Buyer

Must show how the assistance to the developer
will be passed along to the buyer

- Repayment loan/deferred loan/grant
- Interest rate
- Years in loan term
- Forgiveness
- Repayment
- Default

Developer Repayment

Is SHIP Repayment Required?

- Repaid funds recorded as program income.
- Some portion of SHIP funds are not repaid but remain as subsidy to buyer to make the deal work



Selection Criteria

Recipient selection criteria

- Who identifies buyer
- First come, first qualified
 - Ranking Priority



Sponsor/Developer Selection Criteria

- Experience
- Capacity (staff, financial)
- Firm Commitment
- Leverage



Additional information

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How is assistance reported on the annual report?



Funds to Developer



Repayment from
Developer



Funds left in the deal
(assistance to buyer)

Maximum Value Limits

- Local Governments use Treasury Limits (Best Practice)
- Local Governments may choose to conduct or rely on a local study that determines average area purchase price according to 420.9075 (5) (f)., F.S.
- The study and resulting maximum limits must be submitted to FHFC as part of a new or amended LHAP for approval.
- Maximum limits based on local studies should still meet the test of reasonableness and affordability based on the definition of “Affordable” for households at the maximum income limits for SHIP.

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Responsibilities of the Local Government and Developer

Sample Sponsor/Developer Selection Criteria

Developer Capacity

- Experience and staffing
 - Funding source
 - Similar project
- Financial review
- Reputation
- Current Pipeline



Commitment/award of other funding sources

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More Criteria

Budget

- Construction
- Cost reasonableness
- Commitment/award of other funding sources

Realistic timeline- ability to proceed

- SHIP expenditure deadline - 24 months from close of State Fiscal year
- Certificate of Occupancy

Buyers are pre-approved and ready to move in at completion



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What the Developer wants from SHIP

Commitment of funds
(firm) contingent upon
award of other funds

Can be multiple-year
award of SHIP funds
if all years' funds have
been advertised

The multiple-year
award must be from
an adopted and
approved LHAP

Local Government Duties



- Selection of Developer
- Details of Contract
- Provide SHIP subsidy at right time in development process
- **Pay SHIP dollars in last payment**
- Provide update of income limits
- Monitoring and Provide training

Developer Duties



- New Construction or Rehabilitation
- Selecting eligible households
- Maintain SHIP files with proper documentation
- Keep to the Timeline to avoid exceeding Expenditure Deadline

Homebuyer Duties



- Complete application accurately
- Report all sources of current and anticipated income
- Make monthly mortgage payments
- Make repairs – no landlord to call
- Notify SHIP Office if they intend to sell before the end of the affordability period.

A construction worker wearing a high-visibility yellow and grey safety vest is shaking hands with another person. They are standing behind a table covered with architectural blueprints, a yellow hard hat, a yellow measuring tape, a black pen, and a black container. The background is a bright, out-of-focus outdoor area with greenery.

Local Strategies

Presenters



Renée A. Jadusingh, Esq., FRA-RA
Executive Director of the Delray Beach
Community Redevelopment Agency



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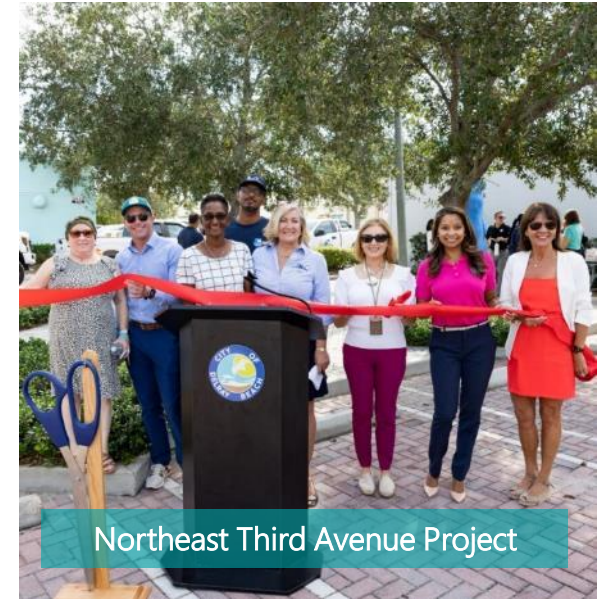
95 SW 5th Avenue Commercial
Building Construction Project



Delray Winter GreenMarket



Osceola Park Phase II Improvements



Northeast Third Avenue Project



ARTS Warehouse



Green
Market



Corey Jones Isle

Affordable Housing in
Delray Beach

Renée A. Jadusingh, Esq., FRA-RA,
Executive Director of the Delray Beach CRA
Tuesday, March 28, 2023



DELRAY BEACH CRA
COMMUNITY REDEVELOPMENT AGENCY

Background

- In 2007, the site was located on SW 4th Avenue adjacent to a Single-Family home.
- A road construction separated the site from the Single-Family home.
- The site was a plant nursery before it was purchased by the CRA.



- In 2017 the CRA purchased the site
- In 2018-2019 the CRA started preparing the site for development.

Background

Corey Jones Isle Workforce Housing



Model A – Elevation 1



Model A – Elevation 2



Model A – Elevation 3



Model B – Elevation 1



Model B – Elevation 2



Model B – Elevation 3

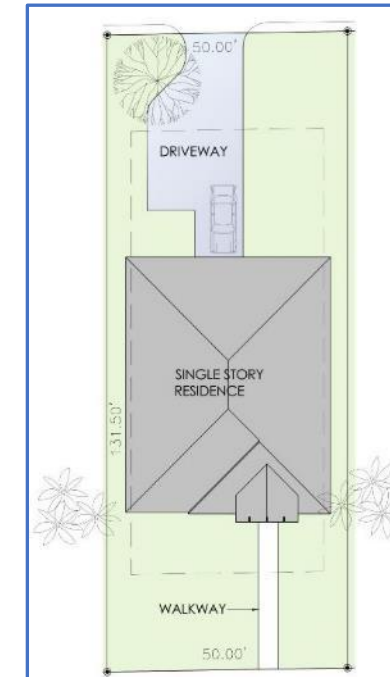
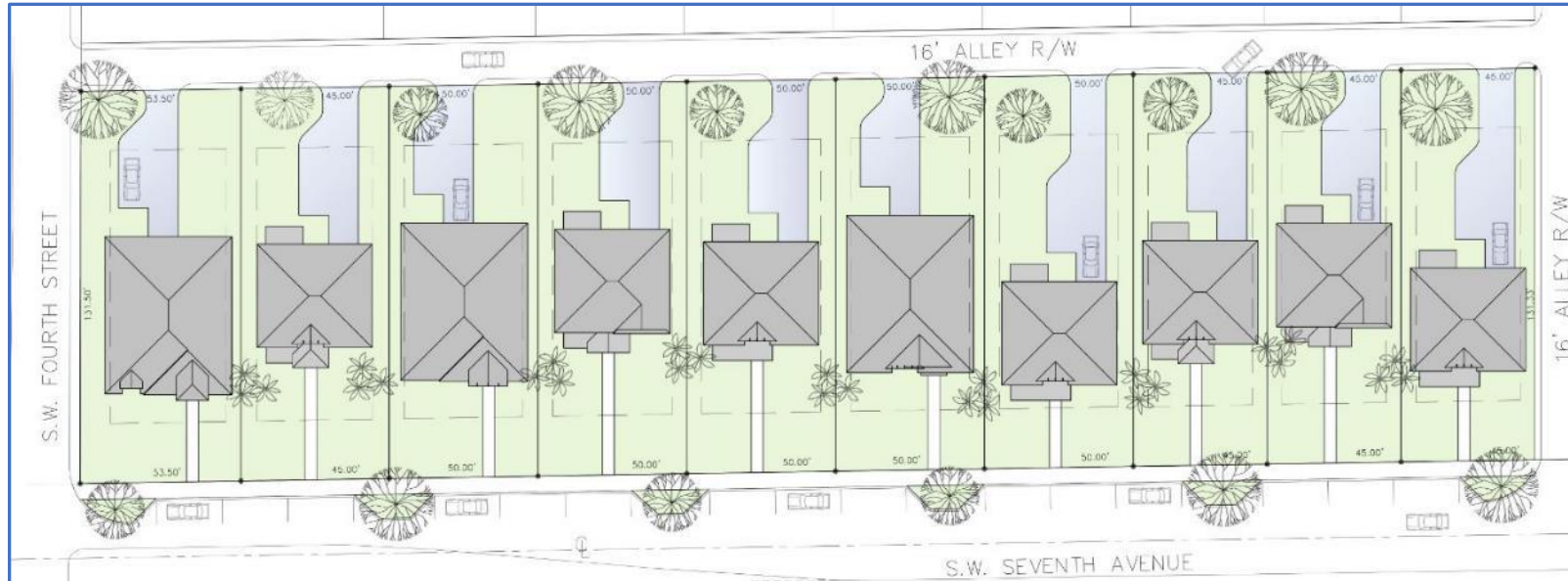
Workforce housing is defined as housing that is affordable for families whose incomes are within 80% to 140% of the County's area median income (AMI).



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Background

Corey Jones Isle Workforce Housing



- 2018 – CRA hired architect.
- 2019 RFP – Purchase, Development & Disposition of CRA-Owned Properties in the SW Neighborhood for Workforce Housing
- 2018-2019 – Utility coordination, Building Permits, Easements, City Infrastructure Improvements
- 2019 – Site Preparation

Background

Community Significance:

- Corey Jones Isle is named after church drummer, Corey Jones, who was shot and killed by a police officer in 2015. Jones worked for the Delray Beach Housing Authority for several years. The housing units will sit right across from the area where Jones used to mentor others and will serve as a constant reminder of the good that Jones provided for his community members.



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Development Strategy Overview

- 2019 - Request for Proposals
- 2020 - Contract Negotiations with the Delray Beach Community Land Trust
- 2020 - Purchase & Sale Agreement
- 2020 - Construction Loan Agreement (Approx. \$2.4 Million Dollars)
- 2020 - Mortgage and Security Agreement & Promissory Note
- 2020-2021 - Second Mortgage Program – CRA Gap Financing – Up to \$85,000
- 2020-2021 - Down Payment Subsidy Program – City of Delray Beach

- Home Sale Prices -
 - One-story unit - 1,833 square feet - Sold for \$246,500
 - Two-story unit - 2,300 square feet - Sold for \$278,700



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Project Partnership – Development Strategy

**Delray Beach
CRA**

Landowner &
Construction
Loan



**Delray Beach
Community Land
Trust**

Developer



**10 Workforce
Homes**

Delray Beach CLT

Pricing &
prequalifying home
buyers

Construction Progress



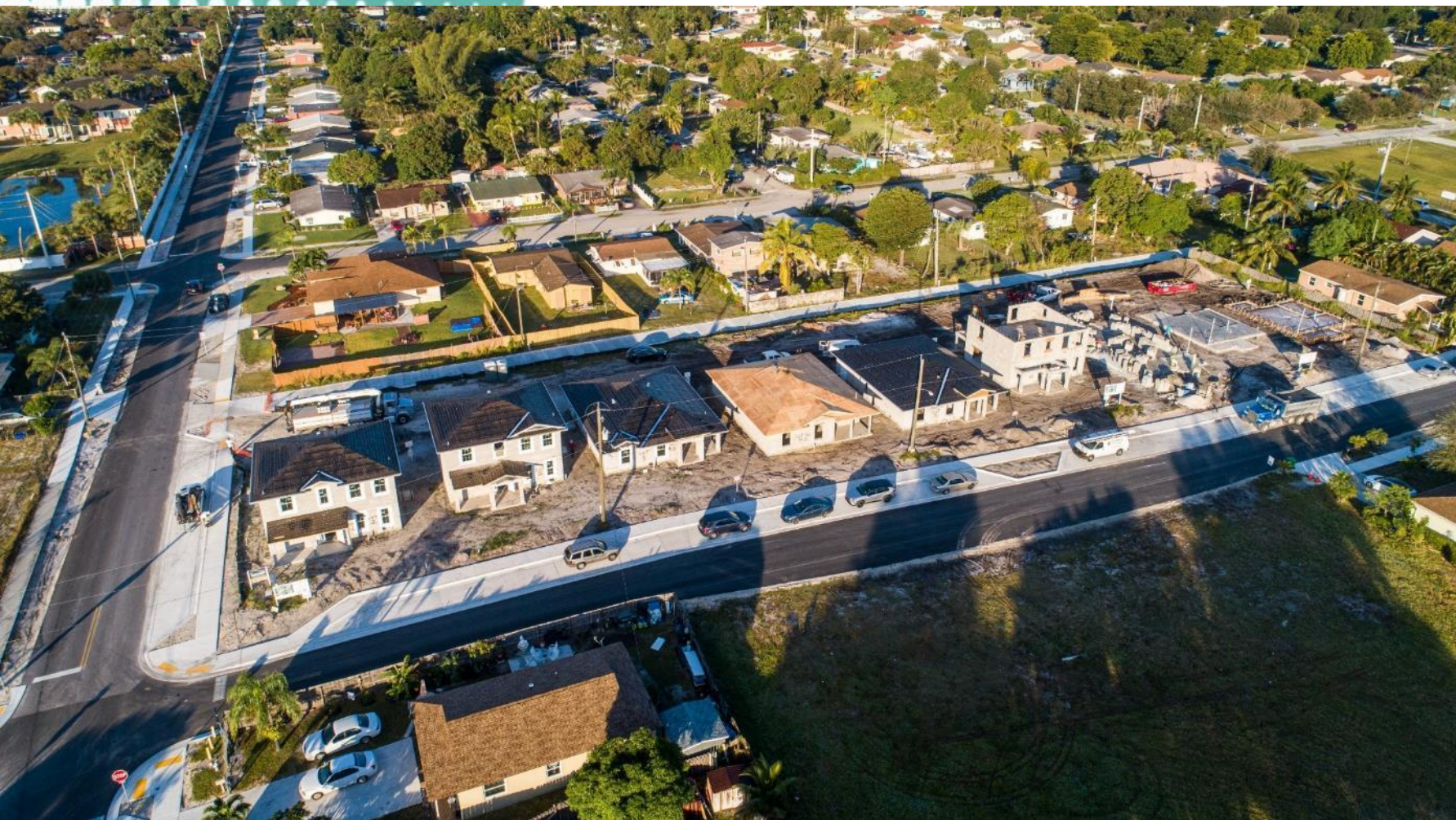
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Construction Progress



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Construction Progress



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Corey Jones Isle Celebration

March 2021



Carver Square

Workforce Housing
in Delray Beach



Background

- Site was the location of a pond and an informal dumping site in the 1960.
- Homes that were built in the 1960s-1980s experienced severe settlement problems.



- In 2005 the CRA started purchasing homes that were experiencing the soil settlement in the neighborhood (approx. 5,300 sf). It took 2 years for the CRA to purchase 20 lots (mix of vacant and homes).
- In 2007 the CRA demolished the homes that were there and began the soil remediation under the Florida's Brownfield Program. Process completed in 2015.



Site Conditions during Remediation Phase



Background

Carver Square Workforce Housing Estimated Cost to Construct

	Model A	Model B	Model C	Model D
				
Construction Cost	\$296,517	\$263,706	\$251,167	\$235,113
General Requirements + CM Fee	\$60,000	\$60,000	\$60,000	\$60,000
Total Cost	\$356,517	\$323,706	\$311,167	\$295,113

- 2018 – CRA hired architect.
- Build homes → Sell homes → Proceeds from sale used as revolving funds to develop more homes
- 2020 – Cost estimates approx. \$6 million to build the homes (Pre-pandemic)
- Development Strategy – Developers who need County Credit
- September 2020 - RFP issued for Development and Disposition of CRA-Owned Properties for Workforce Housing -Carver Square-
- January 2021 - Selected Construction Company

Background

Development Strategy Idea – Developers who need to Fulfill Palm Beach County Workforce Housing Building Requirements



2020 – Issued RFP for Sale of Lots to a Developer

That all twenty (20) single-family homes must be restricted, developed, constructed, and priced for sale (home and land) in accordance with either the Palm Beach County's Workforce Housing Program or the City of Delray Beach's Workforce Housing Program – applying the timeframe that allows the homes to be restricted as Workforce Housing for the longest duration;



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Project Partnership – Development Strategy



CARVER SQUARE

Delray Beach CRA
Landowner



**Pulte Home Company,
LLC**
Developer



Palm Beach County
Pricing & prequalifying
home buyers
15 Year Deed Restriction
City of Delray Beach
40 Year Deed Restriction





Overview of Homes & Sale Prices

Household Income Range	WHP 1 Low Income (51%-80% AMI) \$48,120-\$64,160	WHP 2 Moderate-1 Income (80%-100% AMI) \$64,160- \$80,200	WHP 2 Moderate-2 Income (100%-120% AMI) \$80,200- \$96,240	WHP 4 Middle Income (120%-140% AMI) \$96,240- \$112,280
2020 Sales Price	\$166,110	\$213,570	\$261,030	\$308,490
Floor Plan	Single-Family/1- Story/Browning	Single-Family/1- Story/Chapman	Single-Family/2- Story/Hamden	Single-Family/2- Story/Thompson
A/C Square Footage	1,447	1,662	1,822	2,386
Number of Units	5	5	6	4
Required Down Payment	2.5%	3.5%	3.5%	3.5%



CO1 Exterior



CO6 Exterior



CO6 Exterior



CO1 Exterior



Palm Beach County WFH Program – Two Master Declaration of Restrictive Covenants for WFH for: (1) Carver Square; and (2) Windsong Estates

- PBC's WFH Program has a mandatory component, requiring a percentage of units to be provided as WFH, and an optional component that allows for a density bonus in exchange for a portion of add'l units being restricted as WFH.
- Pulte needed WFH units for a County project – Windsong Estates
- County Requirements:
 - WFH for-sale units must be sold only to income qualified households, at designated prices, for a period of 15 years, recurring if resold during the 15 years period
- Two Master Declarations of Restrictive Covenants recorded against the property pursuant to PBC requirements:
 - Master Declaration of Restrictive Covenants for WFH for Carver Square
 - Master Declaration of Restrictive Covenants for WFH for Windsong Estates





City of Delray Beach WFH Restrictive Covenant

- Master Declaration of Restrictive Covenants for WFH approved by City Commission on August 22, 2022, and recorded on August 24, 2022
 - Minimum 40 years restriction

D. Pursuant to the Agreement, all workforce housing units are also subject to workforce housing restrictions for a minimum of forty (40) years. Due to the resale provisions, some Workforce Housing Units under the County Master Declarations may be subject to workforce housing restrictions for more than forty (40) years. In the event the Compliance Period for a Workforce Housing Unit under the County Master Declarations expires prior to a date that is forty (40) years from the date of the recording of this Covenant, then the Agreement requires that the Covenant described herein commence upon the expiration of the Compliance Period and terminating on the date forty (40) years from the date of the recording of this Covenant.



Construction Progress





Construction Progress



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CARVER SQUARE

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Carver Square Construction Celebration





Thank you!

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Presenters



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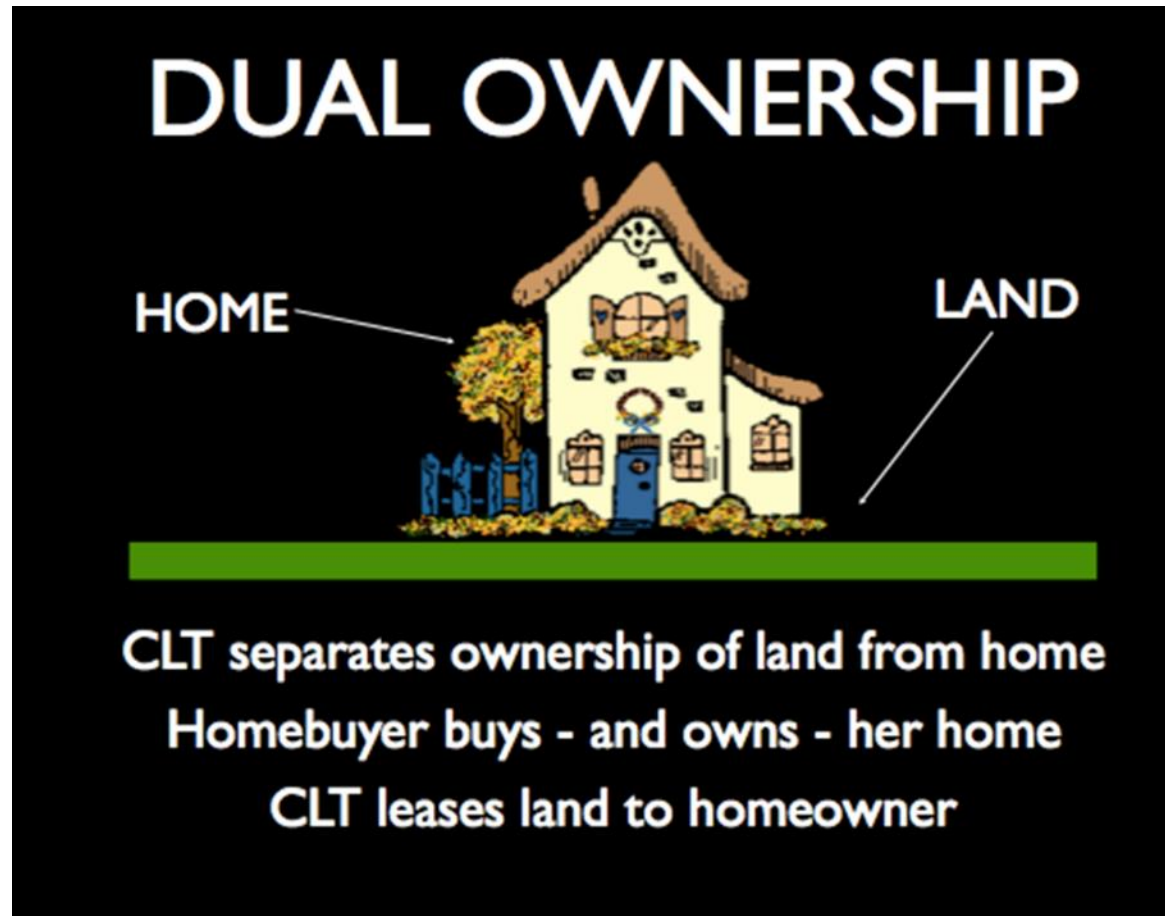


CLT of PBCTC New Housing Construction Strategies

- Utilize SHIP, HOME and ARPA to fill gap in affordability
 - As development subsidy
 - As purchase assistance
- SHIP dollars used to acquire units and resell under CLT model
 - As development subsidy



CLT Model of Homeownership



CLT Resale Formula

The CLT of PBCTC ground lease stipulates that a CLT home may only be sold to an income eligible buyer for the lesser of the appraised value at time of sale or the “Formula Price.”

The formula price = The original purchase price + homeowner’s share of appreciation (see below)

The homeowner’s share in the increase in the market value of the home is tied to their length of ownership as follows:

- If the property is sold within the 1st or 2nd year, they are entitled to 5%.

- If the property is sold within the 3rd to 5th year, they are entitled to 10%.

- If the property is sold within the 6th to 10th year, they are entitled to 15%.

- If the property is sold any time after the 11th year, they are entitled to 25%.

Resale Formula in Action

- In 2014 a CLT of PBCTC homeowner purchased a home for \$110,500. The home's leasehold value was \$136,000 at the time of purchase.
- By 2022 that home was worth \$327,300 (\$191,300 in appreciation) .
- Having been in the home 8 years, 15% of the appreciation, or \$28,695, would be reserved for the homeowner.
- Although the market value increased over 141% the home remains affordable for the next homeowner with a \$139,195 sales price.

Original Purchase Price	+	Owner's Share of Appreciation	=	Resale Price
\$110,500		\$28,695		\$139,195

The Numbers

- Average Sales Price - \$163,827
- Sales prices ranging from \$56,000 – \$272,400
- 120% AMI now needs roughly \$100k in subsidy to fill gap not including cost of the land— Ideally development subsidy for a CLT (HOME or SHIP) or SHIP purchase assistance that is assumable or tied to the land.
- 1 Resales and 0 foreclosures (a 2nd resale in process)

Davis Commons

- Twenty 3bd/2ba/1 car garage townhomes in Unincorporated Lake Worth
- 120% AMI Set-Aside
- Palm Beach County donated 1 of the 2 acres to the CLT of PBCTC
- \$2 million in SHIP will be used as a development subsidy
- \$377k cost to build each unit. Sales price will be \$272,400k.
- Partnership with another non-profit Community Partners of South Florida





Kirk Rd CLT Homes Project

Palm Beach County donated several road right of way parcels and provided HOME CHDO dollars



6 single family homes and one duplex were built



Davis Landings West



County donated site - CLT of PBC built 16 single family homes and 8 townhomes. HOME funding was provided as a development loan that converted into buyer purchase assistance. Construction financing was provided by the Palm Beach County Housing Finance Authority.

A construction worker wearing a high-visibility yellow and grey safety vest and blue jeans is shaking hands with another person. They are standing over a table covered with architectural blueprints, a yellow tape measure, a black pen, and other drafting tools. The background is a bright, out-of-focus outdoor area with greenery.

Effective Partnership Agreements

The Importance of Written Agreements



- A written agreement serves as a legally binding contract between the local government and any other party
- Serves as a management, accountability and enforcement tool for the local government
- Serves as the basis for compliance monitoring

General Provisions of the Agreement

- Funding sources
- Use of funds
- Amount of funds
- Roles and responsibilities
- Performance Standards
- Program requirements
- Project requirements
- Changes to the agreement
- Insurance



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More General Provisions

- Affordability
- Duration of agreement
- Timeline
- Disbursement of funds/payment
- Record retention and reports
- Reversion of assets
- Default
- Monitoring
- Close out requirements

Program requirements – Comply with LHAP



- Advertising requirements
 - Non-Discrimination
 - Priorities
- Maximum per unit award
- Income limits
- Mortgage payment should be affordable
- Loan terms
- Number of affordable homes produced

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Program Requirements

- | | |
|----------------------------------|--------------------------|
| ▪ FTHB requirements | ▪ Program income |
| ▪ Value limits | ▪ Reporting requirements |
| ▪ Energy improvements/Mitigation | ▪ Record keeping |
| ▪ Special needs | ▪ Audits |

Management Tool



- Written agreements are a management and enforcement tool
- It is legally binding
- It minimizes the risk of the local government
- Allows for corrective action
- Identifies specific requirements
- Allows for monitoring and compliance

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Elements of Monitoring

Why Monitor?



***Monitoring is a key component of providing technical assistance to your developers**

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Recommended Practice:



- SHIP Administrators **should** monitor **ALL** Sponsors
- When: during construction and after homes are purchased
- SHIP Administrators must develop a written plan which describes all monitoring activities for each Sponsor.


Sponsor/Developer file includes but is not limited to:

- Name of Sponsor and Project Name
- Organizational documents, licenses, and Key contact information
- Copy of the RFP
- Copy of the Proposal, including Scope of Work
- Copy of the contract between the Sponsor and the local government
- A Work Plan which details when work will be completed
- Payment Schedule, payments, closeout

Monitoring Items to review for Purchase Assistance Files

- Advertising
- Waiting list
- Application
- Income verification
- 120-day clock
- Income Certification
- Counseling Certificate Agreements
- Award letter
- SHIP Mortgage and note
- Property value
- Property Inspection
- First mortgage documents





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Please Complete the Evaluation!



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